

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-02 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /131 W
-----105936 150434Z /61

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9128

UNCLAS LIMA 2216

E. O. 11642: N/A

TAGS: ENRG, PE

SUBJECT: PETROLEUM DEVELOPMENTS: BLOCK 2 IN PERU'S NORTH-EASTERN JUNGLE AREA AGAIN BEING OPENED TO EXPLORATION BY PRIVATE COMPANIES

REF: (A) LIMA 6761, (B) LIMA 2021

1. ON MARCH 7, 1978 THE GOVERNMENT OF PERU APPROVED SUPREME DECREE 001-78-EM/DGH, RE-OPENING BLOCK 2 IN PERU'S NORTH-EASTERN JUNGLE TO PETROLEUM EXPLORATION/EXPLOITATION BY PRIVATE COMPANIES. BLOCK 2, LOCATED DIRECTLY SOUTH-EAST OF AND ADJACENT TO OCCIDENTAL PETROLEUM COMPANY'S (OXY) BLOCK, HAD BEEN CLOSED TO PRIVATE SECTOR BIDDING FOR EXPLORATION/ EXPLOITATION RIGHTS SINCE LATE 1973. AT THAT TIME NEGOTIATIONS BETWEEN THE GOP AND A CONSORTIUM CONSISTING OF OXY AND KOPEX OF POLAND FOR EXPLORATION RIGHTS IN BLOCK 2 TERMINATED WHEN THE GOP ANNOUNCED ITS DECISION NOT TO SIGN ANY MORE OPERATING CONTRACTS FOR PETROLEUM EXPLORATION THROUGHOUT THE COUNTRY. SUBSEQUENTLY WHEN THE GOP RE-OPENED THE JUNGLE FOR OPERATING CONTRACTS IN JULY 1976 (REF A), BLOCK 2 WAS ASSIGNED TO PETROPERU.

2. BLOCK 2 HAD ORIGINALLY BEEN INCLUDED IN THE JUNGLE

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AREA OFFERED IN 1971 FOR PRIVATE SECTOR DEVELOPMENT. IT WAS CONSIDERED TO BE A VERY ATTRACTIVE LOCATION BECAUSE OF ITS PROXIMITY TO OXY'S AND PETROPERU'S PRODUCTIVE AREAS IN THE NORTHERN PERUVIAN JUNGLE. SEVERAL FOREIGN COMPANIES IN ADDITION TO OXY HAD SHOWED INTEREST IN THE PARCEL PRIOR TO THE GOP'S DECISION TO STOP ACCEPTING BIDS FOR OPERATING CONTRACTS. PETROPERU REPORTED THAT ITS HUASAGA EXPLORATORY

WELL, DRILLED IN BLOCK 2 DURING 1976-77, HAD TURNED UP OIL AND GAS SHOWINGS ALL THROUGH THE CRETACIOUS STRATA. HOWEVER, DUE TO SEVERAL ECONOMIC AND TECHNICAL PROBLEMS, THE WELL WAS ABANDONED AT A DEPTH OF 4791 METERS (15,719 FEET), THE DEEPEST LEVEL EVER DRILLED BY PETROPERU.

3. COMMENT: WHEN THE GOP ANNOUNCED ITS DECISION IN 1973 NOT TO SIGN ANY MORE OPERATING CONTRACTS FOR PETROLEUM EXPLORATION, OXY'S AND PETROPERU'S SUCCESSFUL DRILLING RESULTS IN THE JUNGLE HAD CREATED A PETROLEUM BOOM ATMOSPHERE IN PERU. 18 OPERATING CONTRACTS HAD ALREADY BEEN SIGNED AND THERE WERE SEVERAL MORE FOREIGN COMPANIES EAGER TO SIGN ADDITIONAL CONTRACTS. VARIOUS OBSERVERS BELIEVE THAT THE GOP NO LONGER FELT A NEED FOR FOREIGN CAPITAL AND/OR TECHNICAL ASSISTANCE FOR EXPLORATION OF NEW CONTRACT AREAS. THE RE-OPENING OF BLOCK 2 IS CONCRETE EVIDENCE THAT THE GOP HAS DROPPED THIS ATTITUDE AND IS NOW ACTIVELY SEEKING FOREIGN DIRECT PRIVATE INVESTMENT (REF B) FOR NEW PETROLEUM DEVELOPMENT.

4. COPY OF SUPREME DECREE 001-78-EM/DGH BEING POUCHED
ARA/AND KEMP.
SHLAUDEMAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRIVATE ENTERPRISE, FOREIGN INVESTMENT, EXPLORATORY DRILLING
Control Number: n/a
Copy: SINGLE
Draft Date: 14 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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Legacy Key: link1978/newtext/t19780372/aaaaciqb.tel
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Original Classification: UNCLASSIFIED
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Original Previous Classification: n/a
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